

**Functional Series 500 – Management Services  
ADS 592 – Performance Audits**

**Table of Contents**

\*Asterisks next to a section number in the table of contents indicate that the section is new or substantively revised.

<u><a href="#">592.1</a></u>	<u><a href="#">OVERVIEW</a></u> .....	<u><a href="#">2</a></u>
<u><a href="#">592.2</a></u>	<u><a href="#">PRIMARY RESPONSIBILITIES</a></u> .....	<u><a href="#">2</a></u>
<u><a href="#">592.3</a></u>	<u><a href="#">POLICY AND PROCEDURES</a></u> .....	<u><a href="#">2</a></u>
<u><a href="#">592.3.1</a></u>	<u><a href="#">Performance Audit Program</a></u> .....	<u><a href="#">2</a></u>
<u><a href="#">592.3.2</a></u>	<u><a href="#">Audit Planning and Implementation</a></u> .....	<u><a href="#">3</a></u>
<u><a href="#">*592.3.2.1</a></u>	<u><a href="#">Audit Planning</a></u> .....	<u><a href="#">3</a></u>
<u><a href="#">*592.3.2.2</a></u>	<u><a href="#">Audit Notification</a></u> .....	<u><a href="#">3</a></u>
<u><a href="#">592.3.2.3</a></u>	<u><a href="#">Entrance Conference</a></u> .....	<u><a href="#">3</a></u>
<u><a href="#">592.3.2.4</a></u>	<u><a href="#">Field Work</a></u> .....	<u><a href="#">3</a></u>
<u><a href="#">*592.3.2.5</a></u>	<u><a href="#">Exit Conference</a></u> .....	<u><a href="#">4</a></u>
<u><a href="#">592.3.2.6</a></u>	<u><a href="#">Draft Report</a></u> .....	<u><a href="#">4</a></u>
<u><a href="#">592.3.2.7</a></u>	<u><a href="#">Final Report</a></u> .....	<u><a href="#">4</a></u>
<u><a href="#">592.4</a></u>	<u><a href="#">MANDATORY REFERENCES</a></u> .....	<u><a href="#">5</a></u>
<u><a href="#">592.4.1</a></u>	<u><a href="#">External Mandatory References</a></u> .....	<u><a href="#">5</a></u>
<u><a href="#">592.4.2</a></u>	<u><a href="#">Internal Mandatory References</a></u> .....	<u><a href="#">5</a></u>
<u><a href="#">592.5</a></u>	<u><a href="#">ADDITIONAL HELP</a></u> .....	<u><a href="#">5</a></u>
<u><a href="#">592.6</a></u>	<u><a href="#">DEFINITIONS</a></u> .....	<u><a href="#">5</a></u>

## **ADS 592 – Performance Audits**

**\*Asterisks indicate substantive revisions to the paragraph. An asterisk before the section header indicates the entire section has been substantively revised.**

### **592.1 OVERVIEW**

The purpose of this directive is to provide the policy and procedures regarding the [performance audit](#) process of USAID's Office of Inspector General (OIG).

### **592.2 PRIMARY RESPONSIBILITIES**

- a.** The Administrator is responsible for ensuring that management officials throughout USAID understand the value of the audit process and are responsive to audit recommendations.
- b.** The Bureau for Management, Office of Management Planning and Innovation, Management Innovation and Control Division (M/MPI/MIC) is responsible for serving as USAID liaison to OIG regarding audit issues and participating in the development and maintenance of USAID's audit management policies and procedures.
- c.** The Office of Inspector General (OIG) is responsible for
  - Developing and distributing five-year and [annual plans](#) ;
  - Conducting performance audits of USAID programs, activities, systems, and functions in accordance with Generally Accepted Government Auditing Standards;
  - Providing clarification to USAID staff to facilitate corrective action for vulnerabilities identified in performance audits;
  - Conducting follow-up reviews of the implementation of recommendations from prior audit reports; and
  - Performing unplanned, quick response audits and other tasks in response to requests from Congress, the Office of Management and Budget, the President's Council on Integrity and Efficiency, USAID officials, and others.

### **592.3 POLICY AND PROCEDURES**

#### **592.3.1 Performance Audit Program**

In its effort to promote and preserve USAID's effectiveness, integrity, efficiency, and security, the Office of Inspector General (OIG) must periodically review the programs, activities, systems, and functions of USAID to determine whether information is reliable;

resources have been safeguarded; funds have been expended in a manner consistent with related laws, regulations, and policies; resources have been managed economically and efficiently; and desired program results have been achieved.

The OIG must also provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee and initiate corrective action.

These performance audits are carried out by OIG staff in accordance with Government Auditing Standards (GAS), often referred to as [Generally Accepted Government Auditing Standards \(GAGAS\)](#). (See Mandatory Reference, [Government Auditing Standards](#))

### **592.3.2 Audit Planning and Implementation**

#### **\*592.3.2.1 Audit Planning**

The OIG develops a five-year plan, which articulates the goals and objectives that serve as a framework for audit work over a five-year period. The five-year plan serves as a general long-range strategy, and is supplemented by an annual plan, which identifies audits for each fiscal year. USAID management input and suggestions are solicited as part of the annual planning process. Copies of the five-year and annual plans are provided to USAID offices and posted to the OIG's intranet web site.

#### **\*592.3.2.2 Audit Notification**

Each audit office must formally notify a prospective auditee regarding the date an audit is planned to commence. Notification for planned audits will normally be provided at least 30 days in advance of the auditors' arrival. Notification for unplanned, quick response audits and other requirements will be provided as soon as practicable in advance of the auditors' arrival. Notification will be provided to Deputy Assistant Administrators, Audit Management Officers, Independent Office Directors or Mission Directors, and M/MPI. In rare instances, it may be necessary for the OIG to conduct an unannounced audit (e.g., cash in imprest funds).

#### **592.3.2.3 Entrance Conference**

The audit office will conduct a formal [entrance conference](#) to explain the purpose and scope of the audit to the cognizant management official and to receive suggestions regarding the audit subject. USAID officials should use this entrance conference to discuss additional ways in which the audit may be useful to current interests.

#### **592.3.2.4 Field Work**

The OIG conducts audits in accordance with Generally Accepted Government Auditing Standards. The standards require that auditors obtain sufficient, competent, and relevant evidence to afford a reasonable basis for their conclusions and that their work

be documented in the form of work papers. When deemed necessary or useful to answer the audit objectives, the auditors may request a [management representation letter](#) from USAID. The need for a representation letter must be identified at the entrance conference. USAID officials, in supporting the audit effort, must note that the auditors often will need to go beyond USAID's books and records for evidence.

\*In accordance with paragraph six of the Inspector General Act, USAID must provide OIG staff with access to all records, reports, audits, reviews, documents, papers, recommendations, or other material related to all programs and operations of USAID. USAID must provide such records irrespective of classification. USAID staff and management must ensure that OIG staff have access to information, cooperation, support, or assistance in facilitating the timely accomplishment of the OIG's audit mission. **(See Mandatory Reference, [Inspector General Act of 1978, as amended](#))**

#### **\*592.3.2.5 Exit Conference**

An [exit conference](#) will be held to discuss the auditor's preliminary findings and to ensure that the auditor obtained all relevant information during fieldwork. Generally, preliminary findings will be communicated to management in advance orally and/or through a written record of audit findings. Auditors should discuss preliminary findings with the officials having direct responsibility for the activity as soon as the evidence becomes available. USAID officials should use this conference to discuss corrective actions to audit findings and, where practicable, to reach agreement on planned corrective actions.

#### **592.3.2.6 Draft Report**

The draft audit report will be provided to USAID within a reasonable time following the exit conference. USAID must provide written comments within 30 days of receipt of the draft, or within the timeframe identified by OIG. Comments must include planned corrective actions and estimated dates for achieving actions. USAID's comments to the draft audit report provide the first opportunity for USAID and OIG agreement on appropriate corrective actions to address the audit recommendations. This is the management decision stage in the audit follow-up process. **(See Mandatory Reference, [ADS 595, Audit Management Program](#))** Comments indicating disagreement with the text of the draft report or proposed recommendations must explain fully the reasons for disagreement.

#### **592.3.2.7 Final Report**

A final report will be issued following USAID's opportunity to comment on the draft report. Final audit reports must detail all audit recommendations and their status at report issuance, including the identification of questioned costs or the amount of funds to be put to better use in monetary recommendations. Management comments on the draft report will be summarized in the text of the final report as appropriate, and must be included in their entirety as an appendix to the final report.

\*[Removed former sections 592.5.2, Audit Follow-Up; 592.5.2a, Management Decision on Audit Recommendations; and 592.5.2b, Final Action on Audit Recommendations; this information is now in [ADS 595](#), Audit Management Program]

## **592.4 MANDATORY REFERENCES**

### **592.4.1 External Mandatory References**

- a. [Government Auditing Standards \(GAS\) issued by the Comptroller General of the United States, 1994 Revision](#) [This document is available in pdf format only. Please contact the GAO web site at <http://www.gao.gov/govaud/ybhtml/index.html> if you need an html version of this document]
- b. [Inspector General Act of 1978, as amended](#)

### **592.4.2 Internal Mandatory References**

- a. [ADS 590, Audit](#)
- b. [ADS 595, Audit Management Program](#)

## **592.5 ADDITIONAL HELP**

## **592.6 DEFINITIONS**

The terms and definitions listed below have been included into the ADS Glossary. See the ADS Glossary for all ADS terms and definitions. (See [ADS Glossary](#))

### **annual plan**

A plan developed by the OIG that describes audits planned for the upcoming fiscal year. (Chapters 590, 592)

### **\*audit notification**

A formal notification from OIG to the prospective auditee regarding the date an audit will commence. (Chapter 592)

### **entrance conference**

A meeting to discuss the planned review, including time constraints, preliminary scope and contacts, issues, sensitivities, points of contact, referrals for information, and preliminary requests for information/documents. (Chapters 590, 592)

### **\*exit conference**

A meeting upon completion of an audit to discuss findings. (Chapters 590, 592, 593)

**field work**

The detailed examination phase employing an audit program developed specifically to find answers to the audit objectives. (Chapters 590, 592)

**\*Generally Accepted Government Auditing Standards (GAGAS)**

The standards, issued by the Comptroller General of the United States, for audit of Government Organizations, programs, activities, and functions, and of Government assistance received by contractors, nonprofit organizations, and other non-governmental organizations (also called Government Auditing Standards (GAS) or U.S. General Accounting Office "Yellow Book" standards). (Chapters 590, 591, 592)

**\*Management Representation Letter**

A letter prepared by the auditee's management to the auditor confirming in writing essential oral statements made by the auditee to the auditor. (Chapter 592)

**performance audit**

An objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. (Chapters 590, 592)

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